

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Arcadia Township</b>	County <b>MANISTEE</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>8/24/04</b>	Date Accountant Report Submitted to State: <b>10/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Wilson, Ward CPA Firm</b>			
Street Address <b>PO Box 205</b>		City <b>Interlochen</b>	State <b>MI</b>
		ZIP <b>49643</b>	
Accountant Signature <i>Wilson Ward CPA Firm</i>			Date <b>10/15/04</b>

# ARCADIA TOWNSHIP ARCADIA, MICHIGAN

Audit Report

For Year Ended  
March 31, 2004

Wilson, Ward CPA Firm  
PO Box 205  
Interlochen, MI 49643  
(231) 276-7668

***Wilson, Ward CPA Firm***  
**3015 M-137**  
**P.O. Box 205**  
**Interlochen MI 49643**

David E. Wilson, CPA  
Robert K. Ward, CPA

(231) 276-7668  
Fax: (231) 276-7687

August 24, 2004

To the Management of Arcadia Township  
Arcadia Township, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Arcadia Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Arcadia Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Manistee Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Arcadia Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer. Once again, the atmosphere is very conducive to excellent internal control with a very positive attitude toward improvement.

COMMENT: Significant improvements in internal controls and financial statement presentation have been made during the year.

RECOMMENDATION: Continued improvement is always desired and utilization of the budget comparison function of the program will enhance management of budget limitations.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the excellent condition of the records as well as the opportunity to work with Arcadia Township.

Sincerely,

A handwritten signature in black ink that reads "David E. Wilson CPA". The signature is fluid and cursive, with the letters "D", "W", and "C" being particularly prominent.

David E Wilson, CPA

ARCADIA TOWNSHIP  
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# INTRODUCTORY SECTION

**WILSON, WARD CPA FIRM**

P.O. Box 205  
3015 M-137  
Interlochen, MI 49643

(231) 276-7668  
Fax: (231) 276-7687  
E-mail: wilson@wilsonward.com

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board  
Arcadia Township, Michigan

We have audited the statement of net assets, activities, each major fund, and the aggregate remaining fund information of the Arcadia Township, Michigan as of and for the year ended March 31, 2004, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Arcadia Township, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Arcadia Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Arcadia Township, Michigan, in a separate letter dated August 24, 2004.

This report is intended solely for the information and use of the management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson Ward CPA Firm*

Interlochen, MI  
August 24, 2004

## FINANCIAL SECTION



**WILSON, WARD CPA, FIRM**

P.O. Box 205

3015 M-137

Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

**INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Arcadia Township, Michigan

We have audited the accompanying statement of net assets, activities, each major fund, and the aggregate remaining fund information of Arcadia Township, Michigan as of and for the year March 31, 2004, which collectively comprise Arcadia Township, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arcadia Township, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arcadia as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2004 on our consideration of Arcadia Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilson Ward CPA Firm*

Interlochen, MI

August 24, 2004

## ARCADIA TOWNSHIP

### Management's Discussion and Analysis

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### The Township as a Whole

The Township's combined net assets decreased 3.3% from a year ago - decreasing from \$2,592,327 to \$2,507,038. Most of This was operational expenditures in the Fire Department Fund with the Balance being depreciation from capital assets.

This year was the first year for the implimentation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, Statement of Net Assets.

#### The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

#### General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

#### Capital Asset and Debt Administration:

As of March 31, 2004, the Township had \$3,369,706 invested in a broad range of capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

#### Economic Factors and Next Year's Budgets and Rates:

Arcadia Townships's 2004-2005 general fund budget calls for the allocated millage of 0.8975. Arcadia Township also has a voted millage for Fire Protection services in the amount of 0.9286 and street light operational millage of 0.4642. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation. The mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

#### General Overview of the Accomplishments of Arcadia Township in the 2003-2004 Fiscal Year:

Arcadia township has managed to save on interest paid for borrowed money by refinancing the note on the Marina improvements. Reducing the interest rate from 7.1% to 3.95 %. In addition to the refinancing the note was paid down with low interest earning investments.

#### Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office at (231) 889-4752.

**ARCADIA TOWNSHIP**  
Government Wide Statement of Net Assets  
As of March 31, 2004

Assets	Governmental Activities	Business-Type Activities	Total
Cash & Investments	\$295,163	\$32,512	\$327,675
Accounts Receivable - Taxes	7,959		7,959
Accounts Receivable	0		0
Due From other Funds	19,733		19,733
Net Assets	1,922,243	353,435	2,275,678
Total Assets	2,245,099	385,947	2,631,045
<hr/>			
Liabilities and Fund Balance			
<hr/>			
Liabilities			
Accounts Payable	0		0
Deferred Taxes Receivable	7,959		7,959
Due To other Funds	2,702	17,031	19,733
Note Payable	0	86,317	86,317
Total Liabilities	10,661	103,348	114,009
Fund Equity			
Fund Balance - Unreserved	2,234,438	282,600	2,517,038
Total Fund Equity	2,234,438	282,600	2,517,038
Total Liabilities and Fund Balance	\$2,245,099	\$385,947	\$2,631,045

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**ARCADIA TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities	Business-type Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions			
Primary government							
Governmental activities:							
Legislative	\$3,649	\$0	\$0	\$0	(\$3,649)		(\$3,649)
General government	95,798	0			(95,798)		(95,798)
Public safety	144,322				(144,322)		(144,322)
Public works	10,785				(10,785)		(10,785)
Health and Welfare	0				0		0
Community and Economic Development	0				0		0
Recreation and Culture	11,295				(11,295)		(11,295)
Depreciation	40,862				(40,862)		(40,862)
Interest on Long Term Debt	0				0		0
Total Governmental Activities	306,711	0	0	0	(306,711)	0	(306,711)
Business Type Activities							
Enterprise Funds	98,718	99,854				1,136	1,136
Total Primary Government	\$405,429	\$99,854	\$0	\$0	(\$306,711)	\$1,136	(\$305,575)

General revenues:							
Taxes							
Property Taxes-general					\$146,341		\$146,341
Property Taxes-debt service					0		0
State-Shared Revenues					45,582		45,582
Unrestricted Investment Earnings					7,079	295	7,374
Franchise taxes					0		0
Contributions					0		0
Miscellaneous					30,989		30,989
Transfers					5,000	(5,000)	0
Total General Revenues-Special Items and Transfers					234,991	(4,705)	230,286
Changes in Net Assets					(71,720)	(3,569)	(75,288)
Net Assets - Beginning							
Net Assets - Ending					2,306,158	286,169	2,592,327
Net Income Per Governmental Balance Sheet					\$2,234,438	\$282,600	\$2,517,038

Net Income Per Governmental Balance Sheet	(\$35,857)
Net Transfer Per Governmental Statement of Rev/Exp	5,000
Less Depreciation	40,862
Net Income Per Statement of Activities	(\$71,720)

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**ARCADIA TOWNSHIP**  
Governmental Funds Balance Sheet  
As Of March 31, 2004

	Governmental Fund Types		
	General	Non Major Funds	Total (Memo Only)
<u>Assets</u>			
Cash & Investments	\$155,316	\$139,846	\$295,163
Accounts Receivable taxes	7,959	0	7,959
Accounts Receivable	0	0	0
Due from Other Funds	19,733	0	19,733
Prepaid Insurance	0	0	0
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	<u>183,008</u>	<u>139,846</u>	<u>322,855</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	0	0	0
Retirement Payable	0	0	0
Deferred Taxes Receivable	7,959	0	7,959
Due to Other Funds/Agencies	0	2,702	2,702
Note Payable	0	0	0
Total Liabilities	<u>7,959</u>	<u>2,702</u>	<u>10,661</u>
Fund Equity			
Fund Balance - Unreserved	<u>175,050</u>	<u>137,145</u>	<u>312,195</u>
Total Fund Equity	<u>175,050</u>	<u>137,145</u>	<u>312,195</u>
Total Liabilities and Fund Balance	<u>\$183,008</u>	<u>\$139,846</u>	<u>\$322,856</u>
 Fund Balance Per All Government Funds			\$312,195
 Add Net Assets			<u>1,922,243</u>
Fund Balance Per Balance Sheet			<u>\$2,234,438</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**ARCADIA TOWNSHIP**

## Combined Statement of Revenues, Expenditures and Changes in Fund Balance

## All Governmental Fund Types

For the Year Ended March 31, 2004

	Governmental Fund Types		
	General Fund	Non Major Funds	Total (Memo Only)
<b>Revenues</b>			
Taxes	\$54,923	\$91,418	\$146,341
Admin Fees	1,331	0	1,331
Licenses	0	0	0
State Grants	44,386	1,196	45,582
Charges for Services	0	0	0
Interest & Rentals	6,538	541	7,079
Other Revenues	14,311	15,347	29,659
Total Revenues	121,489	108,503	229,991
<b>Expenditures</b>			
Current			
Legislative	3,649	0	3,649
General Government	67,602	289	67,891
Public Safety	15,419	128,903	144,322
Public Works	1,688	9,097	10,785
Other	22,513	16,689	39,202
Total Expenditures	110,871	154,978	265,849
Excess Revenue (Expenditures)	10,618	(46,475)	(35,857)
Fund Balance - Beginning of Year	159,432	183,620	343,052
Transfers in / (Out)	5,000	0	5,000
Fund Balance - End of Year	\$175,050	\$137,145	\$312,195

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ARCADIA TOWNSHIP, MANISTEE COUNTY  
BALANCE SHEET  
PROPRIETARY FUND  
MARCH 31, 2004

	Marina Enterprise	Total
ASSETS		
Cash	\$32,512	\$32,512
Accounts Receivable	0	0
Due from Other Funds	0	0
Property and Equipment	0	0
Property, Plant and Equipment Net of Accum. Dep.	579,799	579,799
Inventories	0	0
Other Assets	0	0
	<hr/>	<hr/>
Total Assets	612,311	612,311
	<hr/>	<hr/>
LIABILITIES & FUND EQUITY		
Accounts Payable	0	0
Due to Other Funds	17,031	17,031
Other Current Liabilities	0	0
Notes Payable	86,317	86,317
Deferred Revenue	0	0
	<hr/>	<hr/>
Total Liabilities	103,347	103,347
Fund Equity		
Contributed Capital	226,364	226,364
Retained Earnings	282,600	282,600
	<hr/>	<hr/>
Total Fund Equity	508,964	508,964
Total Liabilities & Fund Equity	<hr/> <u>\$612,311</u>	<hr/> <u>\$612,311</u>

The footnotes are an integral part of these financial statements.



ARCADIA TOWNSHIP, MANISTEE COUNTY  
STATEMENT OF REVENUES, EXPENSES & CHANGES IN  
RETAINED EARNINGS  
PROPRIETARY FUND  
MARCH 31, 2004

	Marina Enterprise	Total
OPERATING REVENUES		
Charges for Services	\$99,854	\$99,854
State Grant	0	0
Other Revenue	0	0
Total Operating Revenue	99,854	99,854
OPERATING EXPENSES		
Wages and Fringes	11,979	11,979
Contractual Services	0	0
Material and Supplies	29,129	29,129
Equipment Repair and Maintenance	5,525	5,525
Utilities	4,237	4,237
Casualty and Liability Costs	2,260	2,260
Other	2,686	2,686
Total Operating Expenses	55,816	55,816
OPERATING INCOME (LOSS)	44,039	44,039
Depreciation	31,582	31,582
Net Operating Income	12,457	12,457
NON-OPERATING REVENUES(EXPENSES)		
Interest Income	295	295
Interest Expense	(11,321)	(11,321)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Operating Transfers Out	(5,000)	(5,000)
Total Other Financing Sources (Uses)	(5,000)	(5,000)
NET INCOME (LOSS)	(3,569)	(3,569)
RETAINED EARNINGS, BEGINNING	286,169	286,169
PRIOR PERIOD ADJUSTMENTS	0	0
RETAINED EARNINGS, ENDING	\$282,600	\$282,600

The footnotes are an integral part of these financial statements.

ARCADIA TOWNSHIP, MANISTEE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED MARCH 31, 2004

	Marina Enterprise	Total
Cash Flow From Operating Activities		
Cash Received from Customers	\$99,854	\$99,854
State Grant	0	0
Transfer for Administrative	(5,000)	(5,000)
Cash Payments to Employees for Services and Benefits	(11,979)	(11,979)
Cash Payments to Suppliers for Services and Benefits	(43,837)	(43,837)
Net Cash Provided by Operating Activities	39,039	39,039
Cash Flow from Noncapital Financing Activities		
(Increase) in Due from Other Funds	1,230	1,230
(Decrease in Due to Other Funds	436	436
Net Cash provided by Noncapital Financing Activities	1,666	1,666
Cash Flows For Capital and Related Financing Activities		
Capital Improvements	0	0
Principal Payments	(59,433)	(59,433)
Interest on Debt	(11,321)	(11,321)
Net Cash Provided for Capital and Related Financing Activities	(70,754)	(70,754)
Cash Flows From Investing Activities		
Loss On CD Investment	0	0
Interest on Cash Equivalents	295	295
Net Cash Provided by Investing Activities	295	295
Net Increase (Decrease) in Cash and Cash Equivalents	(29,754)	(29,754)
Cash and Cash Equivalents at Beginning of Year	72,266	72,266
Cash and Cash Equivalents at End of Year	42,512	42,512
Reconciliation of Operating income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	12,457	12,457
Transfer for Administrative Cost	0	0
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities		
Depreciation Expense	31,582	31,582
(Decrease) in Accounts Payable	0	0
Net Cash Provided by Operating Activities	\$44,039	\$44,039

The footnotes are an integral part of these financial statements.

## **ARCADIA TOWNSHIP-MANISTEE COUNTY**

### **Notes to Financial Statements**

March 31, 2004

#### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

Arcadia Township is a general law Township located in Manistee County. The governing body of the Township is the Township board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the community with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

##### **B. Basis of Presentation**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds and account groups. The account groups include all fixed assets and all long term debt.

The accounting policies of Arcadia Township conform to generally accepted accounting principles and include the following fund types

##### **1. Government Fund Types use modified accrual basis and include -**

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of each fund.

## 2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

## 3. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

## D. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable and as revenue accrued. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

## E. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the

Balance Sheets and operating statements measure increases and decreases in these net current assets.

#### F. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlled during the formal budget approval process and subsequent amendment by the Township Board. Line items contained within the original budget are appropriated and amended only on a departmental activity basis.

#### G. Fixed Assets

All fixed assets are recorded in the fixed assets records. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The modified accrual basis makes no provision for the depreciation of these assets. However, detailed records are maintained to support Note 8. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township.

#### H. Long Term Debt

##### Marina Loan

On August 2, 1996 the Township obtained a loan in the amount of \$205,030.36 from West Michigan National Bank for the purpose of funding part of the cost of improvements to the Marina. The loan is payable in semi-annual payments of \$10,895.10 including principal and interest at the annual rate of 7.1%. During the fiscal year the note was paid down, and the resultant balance of \$90,000 was refinanced at 3.95% interest rate with monthly payments. The new note has a balloon payment of approximately \$50,400 due in October 2008.

The following is a summary of changes in long-term debt for the Marina Fund as of March 31, 2004:

	Balance 04/01/03	Addition	Deletion	Balance 03/31/04
Installment Purchase Contract				
Building Improvement	\$132,190	0	\$44,624	\$ 86,317
Total General Long Term Debt	\$132,190	0	\$44,624	\$ 86,317

The annual requirements to pay the principal and interest on the Marina loan are as follows:

Fiscal Year	Principal	Interest	Total
2004-2005	7,622	3,319	10,941
2005-2006	7,932	3,008	10,941
2006-2007	8,256	2,684	10,941
2007-2008	8,587	2,353	10,941
2008-2009	<u>53,920</u>	<u>1,046</u>	<u>54,966</u>
Total	86,317	12,410	98,730

#### I. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the

Township Treasurer.

The State Equalized Value (SEV) and taxable values are:

	Real Property	Personal Property	Total
SEV	\$ 76,982,600	\$ 1,464,000	\$ 78,446,600
Tax. Value	\$ 40,346,732	\$ 1,464,000	\$ 41,810,732

**J. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principals requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - BUDGET APPROPRIATIONS**

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Information on budget categories has been included for information only. The budget appropriation is for department use only and hence is the legally controlling amount. There are no items where expenditures were incurred in excess of the amounts appropriated for the activities or functions of the general fund.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Legal Provisions**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Arcadia Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS**

The Township had \$145,716 in certificates of deposit with local banks, of which \$139,130 is insured. This would leave balances of cash as follows:

Deposits	Bank	Carrying Value
Insured & Uncollateralized	\$100,000	\$ 100,000
Uninsured	<u>85,658</u>	<u>85,658</u>
Total	\$185,658	\$ 185,658

**NOTE 5 - PROPERTY TAXES**

As of March 31, 2004, \$12,317 of property taxes were delinquent.

**NOTE 6 - INTERFUND ACCOUNTS**

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

**NOTE 7 - INVENTORIES**

No material parts or supply inventories are maintained by the Township.

**NOTE 8 - FIXED ASSETS**

Detailed information concerning the fixed asset accounts is as follows:

	04/01/03 Balance	Additions	Deletions	03/31/04 Balance
Land & Improvements	\$1,840,519	\$0	\$0	\$1,840,519
Buildings	293,427	0	0	293,427
Equipment	<u>408,622</u>	<u>0</u>	<u>0</u>	<u>408,622</u>
Total Fixed Assets	\$2,542,568	\$0	\$0	\$2,542,568

**Accumulated Depreciation**

Land & Improvements	\$ 0	\$0	\$0	\$ 0
Buildings	293,427	0	0	293,427
Equipment	<u>293,427</u>	<u>40,862</u>	<u>0</u>	<u>326,989</u>
Total Fixed Assets	\$ 579,462	40,862	\$0	\$ 620,325

**NOTE 9 - CONTINGENT LIABILITIES**

Township officials are aware of no contingent liabilities on the part of the Township.

**NOTE 10 - TOTAL COLUMN ON COMBINED STATEMENTS**

The total column on the combined statements overview is captioned "Memo Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 11 - COMPENSATED ABSENCES**

The Township does not compensate for vacation or sick and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

**NOTE 12 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including worker compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years.



## SUPPLEMENTAL STATEMENTS

**WILSON, WARD CPA FIRM**

P.O. Box 205  
3015 M-137  
Interlochen, MI 49643

(231) 276-7668  
Fax: (231) 276-7687  
E-mail: wilson@wilsonward.com

To the Arcadia Township Board  
Arcadia Township  
Arcadia, MI

We have audited the combined financial statements of the Arcadia Township for the year ended March 31, 2004. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson Ward CPA Firm*

Interlochen, MI  
August 24, 2004

## GENERAL FUND

ARCADIA TOWNSHIP, MANISTEE COUNTY  
STATEMENT OF REVENUES - BUDGET TO ACTUAL  
GENERAL FUND  
For the Year Ended March 31, 2004

	Adopted Budget	Ammended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Property Taxes				
Current Property Taxes	\$34,000	\$34,000	\$34,716	\$716
Delinquent Property Taxes	3,000	3,000	3,082	82
Admin Fees	10,000	10,000	17,125	7,125
Total Property Taxes	47,000	47,000	54,923	7,923
Licenses and Permits				
Dog Licenses	10	10	6	(5)
Land Use Permits	1,500	1,500	1,325	(175)
Total Licenses and Permits	1,510	1,510	1,331	(175)
State Aid Revenue				
Revenue Sharing	47,000	47,000	44,386	(2,614)
Total State Aid	47,000	47,000	44,386	(2,614)
Interest and Rentals				
Interest	1,800	1,800	2,688	888
Rentals	200	200	3,850	3,650
Total Interest and Rentals	2,000	2,000	6,538	4,538
Other Revenue				
Other	2,400	2,400	14,311	11,911
Total Other Revenue	2,400	2,400	14,311	11,911
Total Revenue	99,910	99,910	121,489	21,583
Transfers In			5,000	
Total Revenue and Transfers			<u>\$126,489</u>	

The footnotes are in integral part of these Financial Statements

ARCADIA TOWNSHIP, MANISTEE COUNTY  
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended March 31, 2004

	Original Budget	Ammended Budget	Actual	Variance Favorable (Unfavorable)
Legislative				
Township Board--Trustees	\$5,000	\$5,000	\$3,649	\$1,351
Total Legislative	5,000	5,000	3,649	1,351
General Government				
Supervisor	7,900	7,900	8,158	(258)
Elections	0	0	0	0
Assessor	13,500	13,500	14,590	(1,090)
Attorney and Professional Services	9,200	9,200	5,621	3,579
Clerk	8,900	8,900	7,288	1,612
Board of Review	600	600	215	385
Treasurer	13,600	13,600	11,695	1,905
Building and Grounds	18,050	18,050	16,659	1,391
Cemetery	2,500	2,500	3,377	(877)
Total General Government	74,250	74,250	67,602	6,648
Public Safety				
Planning	7,200	7,200	13,062	(5,862)
Zoning	3,150	3,150	2,358	792
Total Public Safety	10,350	10,350	15,419	(5,069)
Recreation and Cultural				
Parks	3,000	3,000	1,654	1,346
Library	500	500	34	466
Total Recreation and Cultural	3,500	3,500	1,688	1,812
Other				
Insurance and Bonds	7,100	7,100	17,091	(9,991)
Miscellaneous	8,800	8,800	5,422	3,378
Total Other	15,900	15,900	22,513	(6,613)
Capital Outlay				
Land Improvements	0	0	0	0
Land Aquisition	0	0	0	0
Equipment	0	0	0	0
Total Capital Outlay	0	0	0	0
Total Expenditures	109,000	109,000	110,871	(1,871)
Other Financing Uses				
Operating Transfers (Out)				
Street Lights Fund			0	
Street Light Fund			0	
Fire Fund			0	
Marina			0	
Total Other Financing Uses			0	
Total Expenditures and Other Financing Uses			\$110,871	

The footnotes are in integral part of these Financial Statements

## SPECIAL REVENUE FUND

Combining Balance Sheet  
All Special Revenue Funds  
As Of March 31, 2004

The footnotes are an integral part of these Financial Statements.

CITY OF WASHINGTON, DISTRICT OF COLUMBIA  
 Combining Statement of Revenues, Expenditures & Changes in Fund Balance  
 Special Revenue Funds  
 For The Year Ended March 31, 2004

	Fire Fund	Liquor Law Enforcement Fund	Flag Fund	Flower Fund	Parks and Rec Fund	Historical Commission Fund	Street Lighting Fund	Cemetery Fund	Total
<b>Revenues</b>									
Taxes	\$80,923						\$10,495		\$91,418
State Aid		1,196							1,196
Interest	122					91	139	189	541
Other	2,312			20	1,003	11,599		413	15,347
Total Revenue	83,357	1,196	0	20	1,003	11,691	10,634	602	108,503
<b>Expenditures</b>									
General Government									
Public Works							9,097	289	9,097
Capital Outlay	5,394				0				5,394
Recreation and Cultural				310	952	9,832			11,295
Public Safety	127,569	1,334	201						128,903
Total Expenditures	132,963	1,334	201	310	952	9,832	9,097	289	154,978
Excess Revenue Over (Under)									
Expenditures Before Other									
Financing Sources	(49,606)	(138)	(201)	(290)	51	1,858	1,537	313	(46,475)
Other Financing Sources									
Operating Transfers In							0		0
Operating Transfers (Out)							0		0
Excess of Revenues and Other									
Sources Over (Under) Expenditures	(49,606)	(138)	(201)	(290)	51	1,858	1,537	313	(46,475)
Transfers In (Out)	0					0			0
Fund Balance - Beginning of Year	124,030	1,334	201	1,479	1,556	16,685	23,671	14,664	183,620
Fund Balance - End of Year	\$74,424	\$1,196	\$0	\$1,189	\$1,607	\$18,543	\$25,208	\$14,977	\$137,145

The footnotes are an integral part of these Financial Statements.